

Collete Stevenson MSP
Convenor
Social Justice and Social Security Committee

The Scottish Parliament
Edinburgh
EH99 1SP

4 December 2024

Dear Convener,

Today the Scottish Fiscal Commission published [Scotland's Economic and Fiscal Forecasts – December 2024](#), giving our latest forecasts for the economy, tax revenues and social security to inform the Scottish Budget.

In our report we show that, following the UK Autumn Budget, the Block Grant for capital spending is set to grow by 10.1 per cent between 2024-25 and 2025-26. The Block Grant for day-to-day spending has increased by £1.4 billion in 2024-25 as a result of the UK Budget, with a further increase of £1.5 billion in 2025-26. However, the overall increase in next year's Scottish Budget is modest due to the worsening net tax position combined with rising pay bill pressures and increased Social Security spending.

We forecast Social Security spending will take up a growing share of the budget with spending in 2025-26 forecast to be £1,334 million higher than the corresponding funding provided by the UK Government.

Two new social security policies, announced by the Scottish Government on 28 November 2024, have been included in our forecasts. The first is a £17.5 million increase in the Scottish Welfare Fund for 2024-25. The second is a new approach of expanded eligibility for Pension Age Winter Heating Payment (PAWHP) for 2025-26 onwards. Total spending on PAWHP in 2025-26 is forecast to be £101 million, an increase of £67 million compared to the more restrictive eligibility policy in 2024-25.

In addition, the Scottish Government have announced their intention to explore ways of mitigating the two-child limit in the UK-wide Universal Credit from 2026-27. This could increase social security spending by around £150 million in 2026-27 rising to over £200 million in 2029-30 and would further increase the share of day-to-day spending allocated to social security.

This policy was communicated to us late in the Budget process as it was a week and a day after our deadline for policy measures. At that point it was too late for the Commission to

produce a full costing accounting for behavioural responses. Although the cost has not been included our social security forecasts or spending analysis, we have provided indicative costs. We intend to publish a report on the effect on the Scottish Budget in due course.

I look forward to giving evidence on our forecasts on 19 December 2024 and I am happy to discuss any aspect of our forecasts.

Yours sincerely

A handwritten signature in black ink that reads "G. Roy".

Professor Graeme Roy